duties of essential items, effective supply-demand management of essential comodities through liberal tariff and trade policies, and strengthening the public distribution system.

Special Court to try litigations between companies and banks

4223. SHRIRAJEEV CHANDRASEKHAR: Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware of the media reports of various litigations between companies and banks that have sold them derivative contracts;

(b) if so, whether Government plans to set up special courts in Mumbai to expeditiously adjudicate these disputes, given the battle for jurisdiction expected between civil courts and debt recovery tribunals leading to much delays; and

(c) whether RBI proposes to initiate disciplinary action against its inspectors who had given a clean chit to such contracts as legally valid whereas most of them were legally void and contrary to provisions of Foreign Exchange Management Act?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): (a) and (b) The banks enter into the derivative transactions with companies as a part of their business. Most of the commercial banks undertake derivative transactions. However, the new private sector banks such as ICICI Bank, HDFC Bank, Kotak Mahindra Bank, AXIS Bank, Yes Bank are actively dealing in derivative products, which include Cross Currency Swaps, Currency Options. Corporates often enter into derivative transactions with banks to hedge against adverse currecy movements having bearing on their earnings. Reserve Bank of India (RBI) has reported that certain cases of alleged losses by the companies on account of dervicatives sold by the banks have come to its notice. However, the existing Management Information System of RBI does not generate the information about the loss caused to the companies or involvement of banks in legal suits on account of derivative transactions.

To provide a framework for undertaking derivative transactions from a regulatory perpective, RBI has issued comprehensive guidelines on derivatives *vide* its circular dated 20th April, 2007. the guidelines emphasise the need for a proper risk management framework and appropriate corporate governance practices. To protect the market-maker against the credit, reputation and litigation risks that may arise from a users' inadequate understanding of the nature and risks of the derivative transactions, the guidelines also provide that market-makers should adopt a board approved 'Customer Appropriateness and Suitability Policy' for derivative business. As a regulator of foreign exchange market, RBI also issues policy guidelines to Authorisied Dealers to facilitate residents/corporates in hedging their foreign currecy exposure by use of derivatives such as Forwards, Swaps and Options.

(c) RBI takes up the irregularities/deficiencies observed by its Inspecting Officers in respect of derivative portfolio of the banks during the course of Inspection/Scrutiny, with the concerned banks for rectification and corrective action.

Insufficient allocation of funds for tribal areas

4224. SHRI KANJIBHAI PATEL: Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware about the insufficient allocation of funds for the development of tribal and scheduled areas of the country under article 275(1) of the constitution;